

CHAPTER I

INTRODUCTION

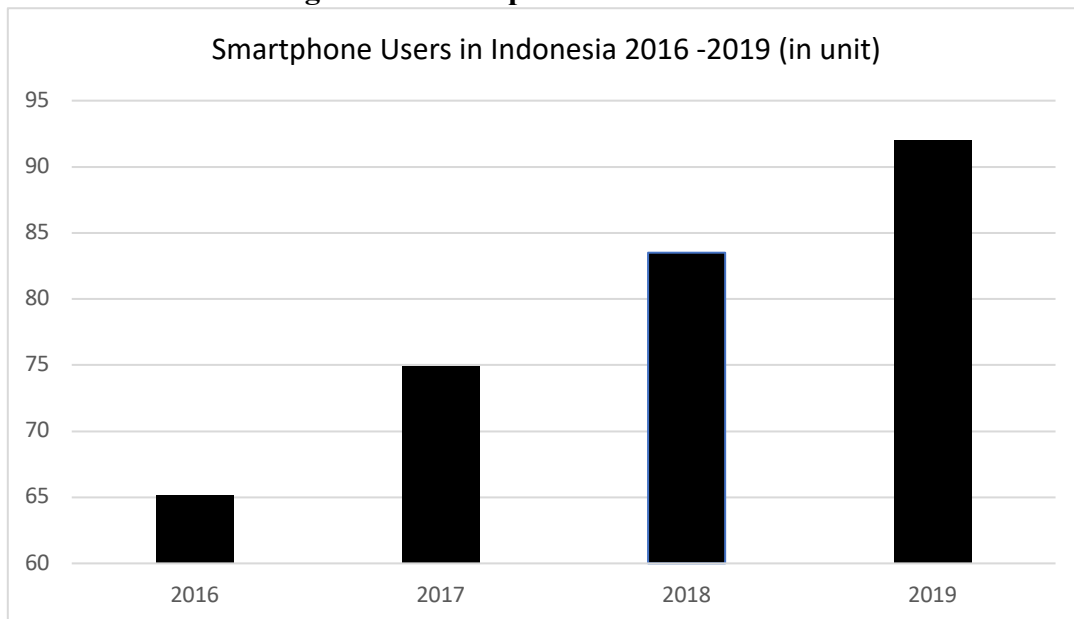
A. BACKGROUND

As we live in this digital age, the development of technology has been significantly increasing and it changes many aspects of human life today, including the business realm. Communication technology for example, is being developed not only simply for people to communicate to one another, but also for self-actualization. One of the example of communication technology devices is Smartphone. On the Global Web Index's quarterly report on the latest trends for smartphones, tablets, smart TVs and wearables (2017), it revealed that smartphones are the most commonly-owned devices globally. Smartphone is more than just a regular mobile phone. It embodies advanced features such us instant messaging, downloading application, and the use of information services like WiFi, entertainment, and even Global Positioning System (GPS) (Euromonitor, 2010). Smartphone is considered as a means of leisure, simplicity in life, social connectives and information access (Anna Wilska, 2002). Because of the convenience and ease Smartphone provides in our daily life, it is no wonder why people are becoming more and more dependent on the device, thus there is a prominent growth in smartphone users.

A survey conducted by GSMA (2018) revealed that it is expected that 5.9 billion people will own smartphones. This amount of 71% present of total world population, and experts have speculated that smartphone distribution will surpass

that of computers due to portability and versatility functions (Deloitte, 2017). In the case of Indonesia, Smartphone users have been experiencing a significant increase for the past four years. See the details from figure.

Figure 1.1 Smartphone users in Indonesia



Source: eMarketer (2014)

The information above shows that the smartphone market is expanding rapidly in the telecom industry and this results in a more intensified competition in the market. Smartphone brands that currently dominate Indonesian market are introduced by seven large companies such as Samsung, Apple, Xiaomi, Oppo, Asus, Lenovo, and Huawei (Stat Counter, 2019).

With the proliferation of the competing brands in the marketplace, keeping consumers loyal is an imperative for marketing managers (Jones & Sasser, 1995). Similarly, Morris et., (1999) stated that in order to succeed in the adoption of relationship marketing, companies should focus on building client loyalty in dynamic business environments. Based on Oliver (1999), researchers have

suggested that the brand loyalty theory should be enlarged from patronage behaviour to psychological commitment, and both attitudinal loyalty and behavioural loyalty may support pro-brand consequences. In addition, attitudinal loyalty may have a relation with patronage intention, word-of-mouth, acceptance of premium price, and resistance to counter-persuasion, whilst greater market share and increased profitability can be caused by behavioural loyalty (Chaudhuri & Holbrook, 2001; Shankar, Smith, & Rangaswamy, 2003). Furthermore, having an intense, strong, and long-lasting relationship with customers is significantly important for a company's sustainability. Marketers no longer can focus on delivering static messages, regardless of how "targeted" or "multichannel" they may be. Rather, brands now should create highly personalized interactions and experiences that they can refine or redirect from initial awareness through conversation, and ultimately toward brand loyalty.

Standing on various theoretical grounds, researchers have investigated the reasons for brand loyalty, but two viewpoints have received greater amount of attention. The first is consumer value theory. Apart of marketing effort increasing customer loyal is to deliver greater value. Value is essential in fulfilling consumers' needs and wants. Consumer value theory claims that value perception is the pivotal predictor of brand loyalty (Kim, Gupta, & Koh, 2011; Sweeney & Soutar, 2001). Consumers remain loyal if they perceive superior value from a given brand (Hansen, Beitelspacher, & Deitz, 2013). Additionally, Sweeney and Soutar (2001) revealed that consumer value can be classified into functional value, emotional value, and social value in the retailing context.

The second viewpoint is the brand identification approach, which puts consumer-brand identification (hereafter referred to as brand identification) as the antecedent of brand loyalty (Bhattacharya & Sen, 2003; Tuskej, Golob, & Podnar, 2013). Consumers stick with a given brand once they identify themselves with the attributes of the brand (Stokburger-Sauer, Ratneshwar, & Sen, 2012). Consumers with stronger brand identification are more prone to engaging in pro-brand activities, such as supporting company goals and products, protecting its reputation and becoming loyal (He and Li, 2011). Studies on consumer-brand identification describe this phenomenon as an important driver of consumer behaviour, suggesting two types: in-role behaviour, such as loyalty, and extra-role behaviour, such as cooperative behaviours (Ahearne et al., 2005), i.e., behaviours not purely related to self-interest, such as brand advocacy (Stokburger-Sauer, 2010), recommendation (Ahearne et al., 2005) or resilience to negative information (Bhattacharya and Sen, 2003, Elbedweihy et al., 2016), which are also dimensions of loyalty, in the attitudinal sense. Studies focused on the effect of brand identification on brand loyalty have shown different results, from significant direct effects (Stokburger-Sauer et al., 2012) to indirect effects (Kim et al., 2001) or the absence of effects (Elbedweihy et al., 2016). The study by He et al. (2012) showed a direct effect of consumer-brand identification on brand trust and an indirect effect on brand loyalty via perceived brand value, satisfaction, and trust. Additionally, some studies also further contended that both viewpoints may have positively result in brand trust and then brand loyalty (He, Li, & Harris, 2012), supporting that these are the foundations of brand loyalty.

Hence why consumer value and brand identification are used in this study to help identifying brand loyalty towards iPhone.

One of the reasons why this study focuses on iPhone is simply because iPhone by Apple has the highest level of brand loyalty compared to its competitors like Samsung, LG, and Motorola (CIRP, 2018). The survey that was conducted between March 2017 and March 2018 showed that the Apple brand holds the number one position by exceeding 90% of phone activators remaining with the brand. That is the best result for the iPhone in over a year, where the worst recent result happened in September 2018 when loyalty dipped to 80%. Meanwhile for Samsung that holds the second position, it saw a small increase in loyalty to start 2018, peaking just above 70% for the quarter (CIRP, 2018).

Moreover, Indonesian market is currently dominated by seven smartphone brands and one of them is Apple's iPhone (Stat Counter, 2019). Additionally, according to a survey that was conducted by Global Web Index in 2016, it revealed that Indonesia is at the top of the list of countries where people show interest in the iPhone (41%) compared to the other developing countries. See figure below.

On another additional note, Apple seems to be a pioneer of product hype. "With the advent of the Apple Keynote, Steve jobs has promoted products in an extraordinary manner – by 9 delivering the right amount of information to make the consumers want more. When a new iPhone arrives in stores, people would line up in long queues, sometimes days in advance." says Larsen & Rezackova (2016), the

author of a master thesis titled “for better, for worse: A case study of Apple’s iPhone tracing the role of self-brand connection among smartphone users”.

Therefore, because of its success in dominating the marketplace, the author of this study is interested in focusing on the brand.

B. Research Problems

Based on the explanation above, the problem in this study is to analyze the effect of consumer value (functional, emotional, and social value) and brand identification toward brand loyalty on iPhone product. The research problems can be identified as following:

1. Does functional value have a positive influence on iPhone’s brand loyalty?
2. Does emotional value have a positive influence on iPhone’s brand loyalty?
3. Does social value have a positive influence on iPhone’s brand loyalty?
4. Does brand identification have a positive influence on iPhone’s brand loyalty?

C. Purpose of Study

Based on the research problems identified above, this research aims:

1. To examine the influence of functional value on iPhone brand loyalty.
2. To examine the influence of emotional value on iPhone brand loyalty.
3. To examine the influence of social value on iPhone brand loyalty.
4. To examine the influence of brand identification on iPhone brand loyalty.

D. Benefits of the Research

The outcomes of this study are expected to serve the benefits below.

1. Theoretical Benefits

The results of this study are intended to offer additional information regarding the relationship between the consumer value and brand identification on brand loyalty. In addition, this results of this study may be helpful for marketing and consumer management references.

2. Practical Benefits

- For the researchers

The results of this study may be useful to acknowledged the correlation between consumer value and brand identification toward brand loyalty on Apple's iPhone, specifically in Indonesia.

- For the companies

The results of this study may help to allocate resources. Although researchers generally recognize the predictive power of consumer value and brand identification, managers may face a dilemma about resource allocation because the two viewpoints offer different guidelines for business practice. Strategies derived from consumer value theory encourage managers to emphasize product development and to communicate the advantages of the product attributes to consumers (Karjaluoto, Jayawardhena, Leppäniemi, & Pihlström, 2012), whereas strategies derived from the identification approach may drive managers to create an attractive brand identity and to organize a

community for intimate consumer-brand and consumer–consumer interactions (Stokburger-Sauer et al., 2012). As managers may have to reconcile these marketing campaigns to generate synergies, it is crucial to differentiate the effects of consumer value and consumer-brand identification on brand loyalty. Therefore, an integrated analysis with loyalty determinants should aid in understanding the determinant priority and the allocation of marketing resources.

- For the academics

The results of this research are expected to be a study or a reference materials in fields that are related to marketing management, especially in the context of brand loyalty, consumer value, and brand identification of personal product of iPhone smartphone by Apple.

E. Content of Research

This research contains five chapters as identified below:

Chapter I Introduction

This chapter describes the overview of the background, research problems, purpose of the study, benefits of the research, and contents of the research.

Chapter II Literature Review

On the literature review section, the author of this research includes explanations of theory about consumer value, brand identification, brand loyalty, the hypothesis among variables, and the theoretical framework.

Chapter III Research Methodology

The research methodology chapter elaborates the detail about research types, sources of data, data collection technique, operational definition, research instrument test, assumption classic test, and hypothesis test.

Chapter IV Data Analysis Discussions

This chapter reveals all of the results and the findings adopted from the analysis of the data collected such as general description of the products, data analysis, the instrument test, the assumption classic test, the hypothesis test, and the discussion. In addition, this study utilizes Statistical Package for Social Science (SPSS).

Chapter V Conclusions

The conclusions of this study, the implications, and limitations that could be used for future study are all concluded in this chapter.